

TARIFF ACTION MEMO

Date: July 7, 2022

Date Filed: May 31, 2022

Statutory End Date: July 15, 2022

File No: TA354-13

Name of Utility: Golden Valley Electric Association, Inc. (GVEA)

Subject: Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR)

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 39 and 40, filed May 31, 2022, by GVEA with TA354-13, as shown on the attached side-by-side tariff sheets (KK-1). The effective date of the tariff sheets should be June 1, 2022.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Keiba Kimp
Keiba Kimp

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	<u>Date (if different from 7/7/2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKI</u>		
Doyle		<u>BD</u> BD		
Pickett		<u>RMP</u>		
Sullivan		<u>KKI</u> for DS		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: July 7, 2022

From: Keiba Kimp, Utility Tariff Analyst

Subject: COPA and SFPPR

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 39 and 40, filed May 31, 2022, by GVEA with TA354-13, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be June 1, 2022.

Background

GVEA's electric load is met with a combination of energy generated by its own coal¹ and combustion plants,² as well as energy purchased from other sources,³ and all Commission-approved related costs are recovered through GVEA's COPA surcharge.⁴

¹ Generation from GVEA's Healy 1 and Healy 2 Steam Plants (Healy 1 and Healy 2) incurs four separate expenses: coal, ash disposal, sodium bicarbonate, and fuel used for turbine start-ups. The coal and ash disposal components are provided under an agreement with Usibelli Coal Mine (See Letter Order No. L1400258, issued December 13, 2014, in TA252-13).

² GVEA's three main combustion generation plants are the North Pole Expansion Plant (NPEP), the North Pole Plant (NPP), and the Fairbanks Zehnder Plant (Zehnder). The fuel is purchased from Petro Star, Inc., and delivered by Big State Logistics, Inc.

³ GVEA purchases power from (1) Aurora Energy, LLC (See Letter Order No. L1300409, issued August 16, 2013, in TA244-13); (2) Bradley Lake, of which GVEA holds a 16.9% share (under 50-year purchase, transmission and wheeling agreements set to expire in 2037); (3) Chugach Electric Association, Inc. (See Letter Order No. L1300242, issued August 30, 2013 in TA241-13); (4) the Municipality of Anchorage, d/b/a Municipal Light & Power Department (not contracted); (5) the United States Military Ft. Wainwright Army Installation (See GVEA Tariff Sheet Nos. 104-106, Rate Schedule T-4, Energy Imbalance Service); (6) Alaska Environmental Power, LLC and Chena Power, Inc. renewable energy under its Experimental Renewable Resource Purchase (ERRP) program (max. nameplate capacity of 2,000 kilowatts or kW) (See Letter Order No. L1200251, issued April 27, 2012 in TA228-13); (7) Sustainable Natural Alternative Power (SNAP) renewable energy under its program (max. nameplate capacity of 25 kW) from several different participants (See Letter Order No. L1000510, issued December 17, 2010 in TA207-13); (8) Eva Creek Wind facility which provided 6% of GVEA's load requirement associated with TA311-13 (See Exhibit 2 filed with TA311-13); and, (9) Matanuska Electric Association, Inc. (See Letter Order No. L1500361, issued December 21, 2015, in TA264-13). GVEA has not obtained Commission approval to recover the costs associated with Eva Creek through its COPA surcharge, and consequently Eva Creek Wind power purchases are not included in the COPA surcharge calculation.

⁴ See side-by-side Tariff Sheet No. 39, attached as Appendix 1, section (c)(7). GVEA's base cost of power is currently \$0.00, resulting in all approved fuel and purchased power costs being recovered exclusively through the COPA surcharge. See Order No. U-08-139(7), issued July 30, 2009.

Filing

GVEA now submits its quarterly COPA and SFPPR rate update for the period beginning June 1, 2022. With TA354-13, GVEA filed Tariff Sheet Nos. 39 and 40 and requested the tariff sheets be effective June 1, 2022.

Proposed revisions to COPA surcharges are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.⁵ Calculation of GVEA's COPA consists of two parts.⁶ The first part includes a 3-month estimate of kWh sales and fuel and power costs.⁷ The second part includes documentation for the actual balancing account entries for February through April 2022, and GVEA's estimated balancing account balance for May 31, 2022.⁸ GVEA provided actual usage, generation, cost, and sales data for the period of February through April 2022, including invoices and spreadsheets supporting the balancing account entries. GVEA submitted supporting documentation for the estimates for the 3-month period beginning June 1, 2022. GVEA also provided support for the estimated May 31, 2022, balancing account balance.

Notice

In accordance with historic Commission practice,⁹ a publication notice was not issued for TA354-13.

Analysis and/or Discussion

COPA Surcharge Increase

As shown on Tariff Sheet No. 39 filed with TA354-13, GVEA proposes a COPA surcharge of \$0.14036/kWh. This represents a \$0.01067/kWh increase from the currently approved COPA surcharge of \$0.12969/kWh.

Table 1 shows the effect of the proposed changes on a sample residential customer billing for 660 kWh usage.

⁵ See 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts, and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

⁶ Historically there was a third part to the calculation, the Fort Knox Credit. This was removed in TA277-13 (see Letter Order No. 1600085, issued February 25, 2016, approving TA277-13).

⁷ GVEA's 3-month projections are developed using its Production Costing Model. See GVEA Tariff Sheet Nos. 38, 38.1 and 39, and COPA support Exhibits 1 through 6.

⁸ In 2011, GVEA obtained Commission approval to use an estimated balancing account balance in its COPA calculation. See Letter Order No. L1100162, issued May 16, 2011 (TA216-13).

⁹ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." this allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

TABLE 1

Sample Customer Billing				
Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	COPA Surcharge (\$/kWh)	\$ 0.12969	\$ 0.14036	\$ 0.01067
2	660 KWH CUSTOMER BILL			
3	Customer Charge	\$ 22.50	\$ 22.50	-
4	Energy Charge @ \$0.12697/kWh	83.80	83.80	-
5	RCC @ \$0.000893/kWh	0.59	0.59	-
6	COPA Surcharge (\$)	85.60	92.64	7.04
7	Total Customer Bill	<u>\$ 192.48</u>	<u>\$ 199.53</u>	<u>\$ 7.04</u>

Factors that may affect the calculation of GVEA's COPA include the previous period's balancing account balance, generation efficiency, and projected fuel and power costs. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed increase to GVEA's COPA is driven primarily by:

- (1) An increase in projected fuel and purchased power costs for the period. The projected fuel and purchased power costs increased from \$33,057,288 to \$33,540,368.¹⁰ GVEA is projecting an increase in its coal costs (from \$5,758,706 to \$6,875,709) and oil costs (from \$12,300,875 to \$16,886,707).¹¹ The overall effect is an increase in projected costs, which places upward pressure on the COPA surcharge.
- (2) An increase in the estimated balancing account balance. The estimated balancing account balance increased from \$7,526,055 to \$8,154,657.¹² This increase in the estimated balancing account balance resulted from under-collection during February through April 2022.¹³ The increase in the estimated balancing account balance places upward pressure on the COPA surcharge.
- (3) A decrease in estimated kWh sales for the period. The estimated 3-month kWh sales decreased from 312,913,920 kWh to 297,056,045 kWh.¹⁴ This

¹⁰ See side-by-side Tariff Sheet No. 39, attached as Appendix-1, at section (c)(1)(d).

¹¹ *Id.*, at sections (c)(1)(a)-(c).

¹² *Id.*, at section (c)(2).

¹³ See tariff advice letter for TA354-13, at page 4.

¹⁴ See side-by-side Tariff Sheet No. 39, attached as Appendix-1, at section (c)(4).

decrease results in the projected costs being spread over a lesser number of kWh,¹⁵ placing upward pressure on the COPA surcharge.

The increase in projected fuel and purchased power costs, increase in the estimated balancing account, and decrease in estimated sales place upward pressure on the COPA surcharge, resulting in an increase to GVEA's COPA surcharge.

The revisions proposed in TA354-13 did not include a change in methodology or new cost element, and as such, GVEA implemented the proposed surcharge on June 1, 2022, in accordance with 3 AAC 52.504(b).¹⁶ Staff has reviewed all information and calculations filed in support of TA354-13 and verified that GVEA provided all required information. Staff confirmed that the proposed surcharge was calculated accurately, using GVEA's approved methodology.

SFPPR Decrease

GVEA calculates its SFPPR, Schedule No. QF-1, by adding together estimated costs for fuel, variable O&M, and the energy portion of purchased power (minus the costs associated with generation that is not avoided by virtue of purchases from QFs) for the three months projected in GVEA's COPA and dividing that sum by the estimated kilowatt-hours sold for the same period (less kilowatt-hours sales associated with generation that is not avoided by virtue of purchases from QFs). Table 2 shows the calculation for the current and proposed SFPPR.

TABLE 2

Schedule No. QF-1 - Calculation of Avoided Cost Rate				
Line	Description	Current Amount	Proposed Amount	Change
1	Fuel + Variable O&M + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF	\$ 8,472,550	\$ 13,136,363	
2	Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	42,480,000	73,823,860	
3	QF-1 Purchase Rate	<u>\$ 0.19945</u>	<u>\$ 0.17794</u>	\$ (0.02150)

¹⁵ The total projected costs include the balancing account balance. See side-by-side Tariff Sheet No. 39, attached as Appendix-1, at section (c)(3).

¹⁶ 3 AAC 52.504(b) states that an electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the COPA filing is subject to subsequent review, adjustment, and approval by the Commission.

GVEA proposes a SFPPR of \$0.17794/kWh, a decrease from the currently approved SFPPR of \$0.19945/kWh.¹⁷ Staff confirmed that the proposed SFPPR was calculated accurately, using GVEA's approved methodology.

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 39 and 40. Staff has verified the proposed surcharge and rate were calculated accurately using GVEA's approved methodology, the proper support was filed, and the tariff sheets are correct.

Conclusion

With TA354-13, GVEA requests approval of its revised COPA and SFPPR for the period beginning June 1, 2022. Based on the discussion above, Staff recommends the Commission approve Tariff Sheet Nos. 39 and 40, filed May 31, 2022, by GVEA with TA354-13. The effective date of the tariff sheets should be June 1, 2022.

Signature: Keith Kurber II
Keith Kurber II (Jul 7, 2022 08:48 AKDT)
Email: keith.kurber@alaska.gov

Signature: Bob Doyle
Bob Doyle (Jul 7, 2022 09:14 AKDT)
Email: bob.doyle@alaska.gov

Signature: Robert M. Pickett
Robert M. Pickett (Jul 7, 2022 13:58 AKDT)
Email: bob.pickett@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Jul 7, 2022 13:58 AKDT)
Email: janis.wilson@alaska.gov

¹⁷ GVEA's SFPPR applies to QFs with nameplate capacity of 100 KW or less. See side-by-side Tariff Sheet No. 40, attached as Appendix-1.

RCA NO. 13 Hundred-Sixty-Second Revision
 Canceling: Hundred-Sixty-First Revision

Sheet No. 39
 Sheet No. 39

RECEIVED
February 28, 2022

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

STATE OF ALASKA
 REGULATORY COMMISSION OF ALASKA

COST OF POWER ADJUSTMENT CLAUSE

(c) Determination of Cost of Power Adjustment¹:

(1) Current cost of fuel and purchased power requirement:*

Base Supply Contracts	Estimated Quantities* (A)	Effective Cost Per Unit ** (B)	Total * (A x B)
a) Coal	1,257,310 MMBTU	\$4.5801801 \$/MMBTU	\$5,758,706 R
b) Oil	5,192,606 gal	\$2.368921 \$/gal	\$12,300,875 R
c) Purchase Power			
CHUGACH	97,311,000 kWh	0.112180 \$/kWh	\$10,916,348 I
BRADLEY	14,356,000 kWh	0.064180 \$/kWh	\$921,368 R
HEA	0 kWh	0.099220 \$/kWh	\$0 R
MEA	0 kWh	0.102860 \$/kWh	\$0 R
AURORA	35,136,000 kWh	0.089936 \$/kWh	\$3,159,991 R
UAF	0 kWh	0.112130 \$/kWh	\$0 R
SUBTOTAL	146,803,000 kWh	0.102162 \$/kWh	\$14,997,707 I
d) TOTAL			\$33,057,288 R

(2) Estimated cost of power balancing account general ledger balance
 as of February 28, 2022

\$7,526,055 I, T

(2a) Actual cost of power balancing account general ledger balance
 as of November 30, 2021 = \$5,579,741 T
 as of December 31, 2021 = \$6,754,558 T
 as of January 31, 2022 = \$8,047,927 T

(3) Total of (1) and (2) above

\$40,583,343 I

(4) Estimated 3 months kWh sales

312,913,920 R

(5) Weighted average cost per kWh (3/4)
 (fuel plus purchase power)

\$0.12969 I

(6) Cost per kWh base rate

\$0.00000

(7) Cost of Power Adjustment (5 - 6)

\$0.12969 I

* For a 3-month period beginning March 1, 2022

T

** Effective unit costs are rounded

¹ The Cost of Power Adjustment is referred to as the Fuel and Purchased Power charge on the member's monthly bill.

Tariff Advice No. TA 352-13

Effective: March 1, 2022

Issued by: Golden Valley Electric Association, Inc.

By: John J. Burns

Title: President and CEO

RCA NO. 13 Hundred-Sixty-Third Revision
 Canceling: Hundred-Sixty-Second Revision

Sheet No. 39
 Sheet No. 39



GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT CLAUSE

(c) Determination of Cost of Power Adjustment¹:

(1) Current cost of fuel and purchased power requirement:*

Base Supply Contracts	Estimated Quantities* (A)	Effective Cost Per Unit ** (B)	Total * (A x B)
a) Coal	1,471,855 MMBTU	\$4.6714582 \$/MMBTU	\$6,875,709 I
b) Oil	6,986,706 gal	\$2.416977 \$/gal	\$16,886,707 I
c) Purchase Power			
CHUGACH	31,402,500 kWh	0.124900 \$/kWh	\$3,922,172 R
BRADLEY	10,197,000 kWh	0.064040 \$/kWh	\$653,017 R
HEA	0 kWh	0.099220 \$/kWh	\$0 R
MEA	10,467,500 kWh	0.105660 \$/kWh	\$1,105,999 I
AURORA	45,552,000 kWh	0.089936 \$/kWh	\$4,096,764 I
UAF	0 kWh	0.112130 \$/kWh	\$0 R
SUBTOTAL	97,619,000 kWh	0.100164 \$/kWh	\$9,777,952 R
d) TOTAL			\$33,540,368 I

(2) Estimated cost of power balancing account general ledger balance
 as of May 31, 2022

\$8,154,657 I, T

(2a) Actual cost of power balancing account general ledger balance
 as of February 28, 2022 = \$8,702,361 T
 as of March 31, 2022 = \$8,916,819 T
 as of April 30, 2022 = \$8,384,539 T

(3) Total of (1) and (2) above

\$41,695,025 I

(4) Estimated 3 months kWh sales

297,056,045 R

(5) Weighted average cost per kWh (3/4)
 (fuel plus purchase power)

\$0.14036 I

(6) Cost per kWh base rate

\$0.00000

(7) Cost of Power Adjustment (5 - 6)

\$0.14036 I

* For a 3-month period beginning June 1, 2022

T

** Effective unit costs are rounded

¹ The Cost of Power Adjustment is referred to as the Fuel and Purchased Power charge on the member's monthly bill.

Tariff Advice No. TA 354-13

Effective: June 1, 2022

Issued by: Golden Valley Electric Association, Inc.

By: John J. Burns

Title: President and CEO

RCA NO. 13 Hundred-Fifty-Ninth Revision Sheet No. 40
Canceling: Hundred-Fifty-Eighth Revision Sheet No. 40

RECEIVED
February 28, 2022

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1
PURCHASE AND SALE RATES FOR QUALIFIED
COGENERATION AND SMALL POWER PRODUCTION FACILITIES

Available:

This schedule is available in all GVEA service areas and applicable to qualified cogeneration and small power production facilities of 100 KW or less (Facility).

Service Description:

Service shall be single or three phase 60 hertz alternating current at the standard voltages and phase of GVEA's established distribution system most available to the location of the Facility.

Due to safety concerns, GVEA will normally limit the number of customers receiving service under the terms of this schedule to one per substation circuit, however, this limitation shall not apply if adequate safety can be demonstrated without applying the limitation. Any dispute in this regard between GVEA and a customer seeking service under this schedule may be resolved through the Regulatory Commission of Alaska's dispute procedure upon filing by either party.

Rates:

Power supplied by GVEA to the customer in order to meet its electric requirements will be priced at the applicable retail rates.

The rate to be paid by GVEA to the Qualified Cogenerator or Small Power Producer for kWh supplied to GVEA by the Facility is the avoided energy cost as approved by the Commission.

The current QF-1 Purchase rate is: \$0.19945 per kWh I

The Avoided Cost Rate is calculated for Schedule No. QF-1, pursuant to 3 AAC 50.770(i), as follows:

(1) Fuel + Variable Operating & Maintenance Costs + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF.	\$8,472,550	R
(2) Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	42,480,000	R
QF-1 Purchase rate [(1) / (2)]	\$0.19945	I

Tariff Advice No. TA 352-13 Effective: March 1, 2022

Issued by: Golden Valley Electric Association, Inc.

By: John J. Burns Title: President and CEO

RCA NO. 13 Hundred-Sixtieth Revision Sheet No. 40
Canceling: Hundred-Fifty-Ninth Revision Sheet No. 40



GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1
PURCHASE AND SALE RATES FOR QUALIFIED
COGENERATION AND SMALL POWER PRODUCTION FACILITIES

Available:

This schedule is available in all GVEA service areas and applicable to qualified cogeneration and small power production facilities of 100 KW or less (Facility).

Service Description:

Service shall be single or three phase 60 hertz alternating current at the standard voltages and phase of GVEA's established distribution system most available to the location of the Facility.

Due to safety concerns, GVEA will normally limit the number of customers receiving service under the terms of this schedule to one per substation circuit, however, this limitation shall not apply if adequate safety can be demonstrated without applying the limitation. Any dispute in this regard between GVEA and a customer seeking service under this schedule may be resolved through the Regulatory Commission of Alaska's dispute procedure upon filing by either party.

Rates:

Power supplied by GVEA to the customer in order to meet its electric requirements will be priced at the applicable retail rates.

The rate to be paid by GVEA to the Qualified Cogenerator or Small Power Producer for kWh supplied to GVEA by the Facility is the avoided energy cost as approved by the Commission.

The current QF-1 Purchase rate is: \$0.17794 per kWh R

The Avoided Cost Rate is calculated for Schedule No. QF-1, pursuant to 3 AAC 50.770(i), as follows:

(1) Fuel + Variable Operating & Maintenance Costs + Energy Portion of Purchase Power expenses less costs associated with generation that is not avoided by virtue of purchases from a QF.	\$13,136,363	I
(2) Estimated kWh sales for the next 3-month period less sales associated with generation that is not avoided by virtue of purchases from a QF.	73,823,860	I
QF-1 Purchase rate [(1) / (2)]	\$0.17794	R

Tariff Advice No. TA 354-13 Effective: June 1, 2022

Issued by: Golden Valley Electric Association, Inc.

By: John J. Burns Title: President and CEO